

IFIE/IOSCO GLOBAL INVESTOR EDUCATION CONFERENCE

ISTANBUL, June 2016.

Global FC/IE Strategies and Implementation: Meeting Needs and Bridging Gaps

Ladies and gentlemen, good afternoon!

It is a great honor for me to be in **this Conference** and engaged in the discussions happening here!

From the regulator standpoint, it is a unique opportunity to be provided with crucial subsidies for the ongoing refinement of our agenda and priorities in this field.

In this sense, I would like to congratulate the International Forum for Investor Education (**IFIE**), the International Organization of Securities Commissions (**IOSCO**) and the Turkish Capital Markets Association (**TCMA**), for gathering here so many qualified perspectives, from a large number of jurisdictions and different market realities.

This meeting among different policymakers, scholars, market entities, professionals and investors has the objective not only to take technical debates to a new level but, most importantly, discuss two key factors for the success of Financial Capability and Investor Education: cooperation and joint efforts.

But before getting into that, let's talk about Capital Markets!

Solid capital markets, by definition, are built on trust and confidence.

To get there, you have to do and be effective in a lot different things....

Ruling, Supervising, Sanctioning, just to name a few.....

But in order to have a sustainable result, the key driver behind all these areas has to be Financial Education!

One of our primary goals is to protect investors so they feel comfortable in the market place!

There are no resilient and efficient markets without that!

In that way, investors need to have the proper tools to assess and understand well the risks and opportunities they are facing, **feeling more protected, confident and willing to invest their savings in capital markets.**

And you won't have that without a well planned and effective Financial Education and Capability activity!

This is challenging as you do not get the results in the short term and we all like immediate results!!!!

And it has become more challenging today because we live in a society driven by dramatic and very rapid technological changes.

These new technologies have torn down time zones, geographical borders, impacting the way we see the world and even how we interact with each other.

Smartphones, for instance, allow us to be anywhere and get all type of financial information.

From here, we can instantaneously follow-up with what is happening back in our jurisdictions and do multiple activities such as helping us to endure a boring panelist after lunch.

Although I am pretty sure this is not the case.

If there is anyone looking at the phone right now, there is a good reason...

This whole process has triggered a change in how investors behave!

And this new market reality, and social changes, put in place increasingly complex challenges and demands for regulators to do our job!

In this scenario, finding the **balance between investor protection and market development** is not a simple task!

Our regulatory agenda must be constantly reviewed, **keeping pace with the speed of innovation.**

Otherwise, we may open the door to an undesirable level of vulnerabilities in the market place.

FinTech and innovation features are a reality!

They are already profoundly hitting capital markets and daily businesses!

Crowdfunding, selling *digital securities using distributed ledger technologies*, **robo advisors**, and *big data* are a few examples of technologies that are starting reshaping business models and the way we do business.

As a rule, innovation optimizes processes, reducing transaction costs and bringing new opportunities for allocation of savings.

Nonetheless, it may expose investors to complex new risks!

As a consequence, a new position of capital market regulators is required when we discuss financial education and investor protection.

We also need to ask ourselves how we are going to be effective regulators and self – regulators in this new environment!

Late responses, or an essentially reactive posture, may pose significant risks to market safety and sustainability.

On the other hand, regulators, in my view, should neither impose excessive restrictions, nor adopt an excessively cautious posture regarding these new features.

The only way out is recognize that innovation needs to strongly walk side by side with a consistent financial education policy, allowing investors to properly understand the outlines of these products and how they might impact investment decisions.

Logically, we will not be able to send the proper messages to investors if we, ourselves, do not understand, in details, the potential implications of these emerging trends.

It requires, at first, our full involvement in innovation discussions.

Since now! Since yesterday! It can no longer be postponed.

Actually, we cannot even make a parallel with the story of the Rabbit and the Turtle.

In this case, instead of a turtle, we are competing with a second rabbit running really fast right before our eyes!

If we not follow his pace soon, it may be too late.

In addition, I would like to mention another point of attention that we, as regulators, should not neglect and adds some spice to what we need to do.

Everywhere, including the Emerging Markets, a rapid increase of life expectancy is requiring profound changes in population habits concerning savings and investments, since the lack of a long-term savings culture triggers a high social risk.

And it concerns me that most people are not aware of that! Or at least are not translating that into their financial decisions!

Maybe because it is an uncomfortable subject....

but it needs to be discussed. The impact can be substantially less dramatic if people understand they will need substantial more savings to leave longer!

This new economic and social scenario reinforces my view that the role of regulators, inclusively with respect to financial capability and investor education, has to be adapted.

It is no longer conceivable an effective educational initiative without a proper comprehension of investors' profiles, attitudes and behaviors, which requires joint efforts by regulators, self-regulators, academics and further market agents.

What are we doing as regulators?

In Brazil, as in many other places, we have recently implemented a *FinTech Hub*.

It composed by members of key technical departments of CVM Brazil that might be affected by the development of new technologies.

This hub, which will also provide a fast and direct communication channel with the industry, contemplates a material and leading role for the Office of Investor Protection and Assistance.

We want to assure that our educational and protection policies are ahead of the curve in terms of understanding market reality and the innovation wave that we are sailing through.

And that is why we are setting up in that area an Innovation Lab space!

Which I hope will one day allow us to evolve to a Sand Box environment!

Also, in order to expand our views and insights, we have established, since 2014, an **interdisciplinary, independent advisory panel (NEC)**, composed of experts in areas like economy, social and cognitive psychology and neuroscience.

This panel (NEC) supports our decisions, helping CVM Brazil to apply behavioral economic insights to improve the effectiveness of educational projects and public policies.

Our discussions help us in better defining areas for study and support, for example, our decisions in how we communicate with investors.

The panel advise us, for example, on how we should program our annual International Conference of Investor Education and Financial Behavior, in which, last year, during its 3rd Edition, representatives of more than 20 jurisdictions have shared their views, expertise and realities on the subject.

And we do not do it alone.

This annual conference has the essential support and active participation of market entities, such as the Brazilian Financial and Capital Markets Association (ANBIMA), the Brazilian Stock Exchange (BM&FBOVESPA), and its 4th Edition is already scheduled for next December.

Furthermore, it is important to emphasize that the subsidies of these initiatives aiming a better comprehension of investors' decision-making processes and biases should be not only reflected in the regulatory agenda, but also shared with the market and public in general, through fast and simple communication channels (as *blogs, Facebook, Twitter*), reaching investors and interested parties in large scale.

I believe that, if we know how to use it properly, technology can be our strong ally in this context!

But no one can do all this alone.

Like when we climb a mountain, we need strong cooperation! We all have complementary mandates and skills!

And in order to enhance this collaboration, supported by international entities such as IFIE, we need to align our objectives.

A joint agenda, in terms of consistent financial education policies, will have a much higher value if it is the result of an on-going commitment from market agents.

Ultimately, it will benefit capital markets as a whole.

As I conclude, I would like to leave a clear message!

In a world we need to provide prompt and accurate solutions to increasingly complex questions, collaboration and coordination are keystones for consistency in investor education and financial capability policies.

After all, many of the themes that have been affecting financial capability and investor education, as new technologies, are still recent and have a large field to evolve.

Therefore, the role and the views of self-regulators, market entities and participants and academics have become even more relevant in the definition of policies, standards and practices.

An aligned work of market entities and participants, each one in their respective area, will contribute to more efficient and effective financial capability and investor protection policies, fostering the sustainability of capital markets as a whole.

On the other hand, we can never miss the perspective that some aspects of core subjects, as innovation and new technologies, are unlikely to be restricted to one jurisdiction, in a way that a global approach and collaboration is crucial.

So, I am convinced that solid, representative, committed and qualified international organizations, as the IFIE, the IOSCO and the OECD, may play a relevant role by bridging the gap between different jurisdictions and entities that might share the same concerns.

In this sense, partnerships and broad cooperation, translated into knowledge sharing, the dissemination of methodologies, researches, programs, through these organizations, as the Education hub recently implemented jointly by CVM and OECD in Latin America, are fundamental tools for the effectiveness of educational policies.

That is why I would like to reaffirm that I strongly believe investor education will not be truly effective, unless it is a common goal of all market agents and organizations.

The level of debates, the insights and the commitment that we are proposing here in Istanbul are, for me, true evidence that it might be a long and unsteady road, but we are in the right path.

All these challenges reminded me of the moments when I climb high mountains!

Planning, understanding what is priority and what can be left behind, making precise and timely decisions regarding next steps and strongly and consistently cooperation among team members are critical and needed to get safely to the top and back to the base camp!

Thank you so much!